

BEFORE THE STATE CORPORATION COMMISSION  
OF THE STATE OF KANSAS

In the Matter of Westar Energy, Inc. and )  
Kansas Gas and Electric Company Seeking ) Docket No. 17-WSEE-014-TAR  
Commission Approval for Tariff Revisions to )  
the 2016 Energy Efficiency Rider. )

**NOTICE OF FILING OF STAFF'S REPORT AND RECOMMENDATION**

The Staff of the Kansas Corporation Commission (Staff) has investigated the Application made by Westar Energy, Inc. (Westar) on July 15, 2016, to adjust its Energy Efficiency Rider (EER) surcharge applicable to residential customers, effective October 28, 2016. Staff has also prepared a Report and Recommendation recommending the Commission approve Staff's revised EER amount of \$3,944,733 with the additional condition that Westar shall file its next EER in July 2017 to include costs for Commission approved programs incurred from July 2016 through June 2017. Approval of Staff's EER amount would result in an approximate \$0.03 per month decrease in residential customer bills.

WHEREFORE, Staff submits its Report and Recommendation dated August 29, 2016, attached hereto, for Commission consideration.

Respectfully Submitted,



Michael Neeley, S. Ct. #25027  
Litigation Counsel  
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STATE OF KANSAS            )  
  ) ss.  
COUNTY OF SHAWNEE    )

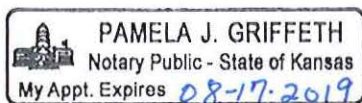
**VERIFICATION**

Michael Neeley, being duly sworn upon his oath deposes and states that he is Litigation Counsel for the State Corporation Commission of the State of Kansas, that he has read and is familiar with the foregoing *Notice of Filing of Staff's Report and Recommendation* and that the statements contained therein are true and correct to the best of his knowledge, information and belief.



Michael Neeley # 25027  
Kansas Corporation Commission of the  
State of Kansas

Subscribed and sworn to before me this 1st day of September, 2016.

  
Notary Public

My Appointment Expires: August 17, 2019

**REPORT AND RECOMMENDATION  
UTILITIES DIVISION**

**TO:** Chairman Jay Scott Emler  
Commissioner Shari Feist Albrecht  
Commissioner Pat Apple

**FROM:** Kristina Luke Fry, Managing Auditor  
Justin Grady, Chief of Accounting and Financial Analysis  
Jeff McClanahan, Director of Utilities

**DATE:** August 29, 2016

**SUBJECT:** Docket No. 17-WSEE-014-TAR – In the Matter of Westar Energy, Inc. and Kansas Gas and Electric Company Seeking Commission Approval for Tariff Revisions to the 2016 Energy Efficiency Rider.

**EXECUTIVE SUMMARY:**

Staff recommends the Commission approve \$3,944,733 for Westar Energy, Inc. and Kansas Gas and Electric Company's (collectively referred to as "Westar" or "Company") annual Energy Efficiency Rider (EER) filing, which results in a rate of \$0.000199/kWh. If approved, Westar's EER factor would result in a monthly charge to residential customers of approximately \$0.18 which, compared to last year's monthly energy efficiency charge to residential customers, would be a decrease of approximately \$0.03 per month or \$0.36 annually. Per the Suspension Order dated August 2, 2016, the Commission shall issue an Order in this Docket no later than March 13, 2017. However, consistent with the timeline for previous EER Dockets, Westar has requested Commission approval of this EER by October 28, 2016.

**BACKGROUND:**

On July 14, 2016, Westar filed an Application with the Commission requesting approval of its Energy Efficiency Rider. The EER is designed to recover costs associated with Commission-approved energy efficiency programs deferred over a twelve-month period ending in June of each year plus any true-up amount from the prior period. Westar requests that the proposed 2016 EER become effective with the first billing cycle of November 2016, which is October 28, 2016.

Westar's Application seeks recovery of costs incurred in relation to Commission-approved demand response and energy efficiency programs in the amount of \$3,944,733. This amount

includes unrecovered expenses of \$3,839,152 incurred from the period of July 1, 2015, through June 30, 2016, and under-recovered costs of \$105,581 incurred from the prior period.

In Docket No. 08-WSEE-862-ACT (08-862 Docket), Westar sought to accumulate energy efficiency program costs in sub-account 182.3 – Other Regulatory Assets. The Commission's November 12, 2008, Order conditionally approved Westar's request subject to certain requirements.<sup>1</sup> Westar's specific programs, with the respective Dockets, include:

- Energy Efficiency Education Program, Docket No. 09-WSEE-986-ACT
- Building Operator Certification Program (BOC), Docket No. 09-WSEE-738-MIS <sup>2</sup>
- WattSaver Air Conditioner Cycling Program, Docket No. 09-WSEE-636-TAR
- Energy Efficiency Demand Response Program, Docket No. 10-WSEE-141-TAR
- SimpleSavings Program Rider, Docket No. 10-WSEE-775-TAR <sup>3</sup>

Westar has received Commission approval to treat the deferral of costs associated with the individual energy efficiency filings listed above as a regulatory asset for future cost recovery. This filing is consistent with the Commission's policy directives established in the November 14, 2008, Order issued in Docket No. 08-GIMX-441-GIV (08-441 Docket).

#### **ANALYSIS:**

Staff performed an audit of Westar's EER Application and is recommending the Commission approve Westar's EER amount of \$3,944,733. Staff requested and received workpapers, supporting invoices, etc., in support of Westar's Application as well as the general ledger/journal entry support for these costs. Staff has confirmed that these costs were effectively recorded by Westar for these programs from July 1, 2015, through June 30, 2016.

Staff reviewed the expenses of the programs provided in Westar's schedules and compared them with Staff's historical understanding of the purpose and scope of the programs. As a result of this review, Staff found no material errors.

In calculating the true-up, Westar utilized Staff's approach required from the 16-WSEE-021-TAR Docket.

In the 08-441 Docket, the Commission indicated that EERs should be implemented in a manner that "...maintains the Commission's responsibility to review costs for prudence."<sup>4</sup> However, the Commission also stated that utilities should make formal tariff applications for program approval to allow the Commission the opportunity to review program applications in light of Commission

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<sup>1</sup> The Commission's Order in the 08-862 Docket established certain requirements including (a) the separate tracking of accumulated costs for each energy efficiency program, and (b) the filing of separate Applications with separate tariffs (rates or riders) as applicable for each program.

<sup>2</sup> Per paragraph 12 of the Commission's Order Approving Interim Budgets filed on April 26, 2016, in the 15-WSEE-532-MIS Docket "...Westar shall be permitted to discontinue collecting its BOC Program costs through the Energy Efficiency Rider."

<sup>3</sup> Per paragraph 13 of the Commission's Order Approving Interim Budgets filed on April 26, 2016, in the 15-WSEE-532-MIS Docket "Westar's SimpleSavings program shall be reinstituted until the existing loan obligations are fulfilled and that new participants shall not be accepted into the program."

<sup>4</sup> See Paragraph 32 of the Final Order dated November 14, 2008, in the 08-441 Docket.



policy directives.<sup>5</sup> As all energy efficiency programs requested for cost recovery have been previously approved by the Commission, Staff limits its reviews of EERs to examinations of expenditures consistency - both in scope and amount - to that previously granted approval by the Commission.

The following table compares Westar's energy efficiency programs' actual annual incurred expenditures included in this filing to the program budgets:

<b>Program</b>	<b>Expenditures July 2015 – June 2016</b>	<b>15-WSEE-532-MIS Updated Budgets</b>
WattSaver	\$833,244	\$1,500,000
Education Programs	\$0	\$60,000
Energy Efficiency Demand Response Rider	\$2,998,744	\$3,840,000
Simple Savings Program Expenses	\$7,164	\$0
<b>Total</b>	<b>\$3,839,152</b>	<b>\$5,400,000</b>

Westar's EER expenditures appear to be reasonable as the total amount of expenditures does not exceed the total budget for all programs. It should be noted that while there is not budgeted amount for the Simple Savings Program, Westar is allowed to recover administrative costs for the program per the 15-WSEE-532-MIS Order.<sup>6</sup>

Staff has examined the expenditures associated with Westar's energy efficiency programs and has found the proposed EER rate calculations to be accurate. Staff recommends Commission approval of the revised EER.

**RECOMMENDATION:**

Staff recommends the Commission approve Staff's revised EER amount of \$3,944,733, with the following condition:

- Westar shall file its next EER in July 2017 to include costs for Commission approved programs incurred from July 2016 through June 2017.

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<sup>5</sup> *Id.* Paragraph 34.

<sup>6</sup> *See* footnote 3 above.

## CERTIFICATE OF SERVICE

17-WSEE-014-TAR

I, the undersigned, certify that a true and correct copy of the above and foregoing Notice of Filing of Staff's Report and Recommendation was served by electronic service on this 1st day of September, 2016, to the following:

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